

SURIA CAPITAL HOLDINGS BERHAD

(COMPANY NO: 96895-W)

(INCORPORATED IN MALAYSIA)

Interim Financial Statements 31 December 2008

Condensed Consolidated Income Statements
For the Financial Year Ended 31 December 2008

	Note	Individual Quarter		Cumulative Year to Date	
		31.12.2008 RM'000 Unaudited	31.12.2007 RM'000 Unaudited	31.12.2008 RM'000 Unaudited	31.12.2007 RM'000 Audited
Revenue	8	64,364	87,276	285,398	310,243
Cost of sales		<u>(43,615)</u>	<u>(62,804)</u>	<u>(195,419)</u>	<u>(203,104)</u>
Gross profit		20,749	24,472	89,979	107,139
Other income		1,630	1,723	7,835	6,449
Other expenses		<u>(7,396)</u>	<u>(1,191)</u>	<u>(12,691)</u>	<u>(6,300)</u>
Administrative expenses		<u>(6,226)</u>	<u>(5,923)</u>	<u>(25,710)</u>	<u>(21,338)</u>
Operating profit	8	8,757	19,081	59,413	85,950
Finance costs		<u>(4,426)</u>	<u>(4,468)</u>	<u>(17,889)</u>	<u>(14,471)</u>
Share of loss of associate		<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>
Profit before taxation		4,331	14,606	41,524	71,472
Taxation (expense) / income	21	<u>(1,889)</u>	<u>101,627</u>	<u>(3,629)</u>	<u>131,061</u>
Profit for the financial period		<u>2,442</u>	<u>116,233</u>	<u>37,895</u>	<u>202,533</u>
Attributable to:					
Equity holders of the Company		2,683	115,622	37,422	200,931
Minority interests		<u>(241)</u>	<u>611</u>	<u>473</u>	<u>1,602</u>
Profit for the financial period		<u>2,442</u>	<u>116,233</u>	<u>37,895</u>	<u>202,533</u>
Earnings per ordinary share attributable to equity holders of the Company (sen):					
Basic	29(a)	<u>0.95</u>	<u>40.81</u>	<u>13.21</u>	<u>70.92</u>

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Balance Sheets
As at 31 December 2008

	Note	As at 31.12.2008 RM'000 Unaudited	As at 31.12.2007 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	610,689	579,552
Land held for property development		34,606	33,815
Investment properties		2,612	2,668
Prepaid land lease payments		27,205	24,891
Intangible assets	10	105,850	105,200
Investment in associate	14	-	357
Other Investment		200	-
Deferred tax assets		<u>88,153</u>	<u>90,400</u>
		<u>869,315</u>	<u>836,883</u>
Current assets			
Inventories		2,436	1,638
Trade receivables	11	38,605	29,911
Other receivables		37,114	53,936
Amount due from Sabah Ports Authority		996	-
Short-term investments	23	51,373	62,049
Cash and bank balances	12	<u>61,418</u>	<u>84,090</u>
		<u>191,942</u>	<u>231,624</u>
TOTAL ASSETS		<u>1,061,257</u>	<u>1,068,507</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		283,328	283,328
Share premium		62,785	62,785
Retained earnings		<u>287,807</u>	<u>279,964</u>
		633,920	626,077
Minority interests		<u>2,598</u>	<u>2,075</u>
Total equity		<u>636,518</u>	<u>628,152</u>

Condensed Consolidated Balance Sheets
As at 31 December 2008

	Note	As at 31.12.2008 RM'000 Unaudited	As at 31.12.2007 RM'000 Audited
Non-current liabilities			
Borrowings	24	110,068	121,559
Amount due to Sabah Ports Authority		59,267	59,267
Loan from Sabah Ports Authority		176,876	169,156
Deferred tax liabilities		<u>149</u>	<u>90</u>
		<u>346,360</u>	<u>350,072</u>
Current liabilities			
Borrowings	24	26,775	15,169
Trade payables		15,513	30,200
Other payables		36,068	43,043
Amount due to Sabah Ports Authority		-	490
Tax payable		<u>23</u>	<u>1,381</u>
		<u>78,379</u>	<u>90,283</u>
Total liabilities		<u>424,739</u>	<u>440,355</u>
TOTAL EQUITY AND LIABILITIES		<u>1,061,257</u>	<u>1,068,507</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Statements of Changes in Equity
For the Financial Year Ended 31 December 2008

<--Attributable to equity holders of the Company-->

	Share Capital RM'000	Share Premium RM'000	Non- Distributable Retained Earnings/ (Accumulated Losses) RM'000	Distributable Sub- Total RM'000	Minority Interests RM'000	Total RM'000
At 1 January 2008	283,328	62,785	279,964	626,077	2,075	628,152
Subscription of shares in a subsidiary	-	-	-	-	450	450
Profit for the year	-	-	37,422	37,422	473	37,895
Dividends paid by a subsidiary	-	-	-	-	(400)	(400)
Dividends	-	-	(29,579)	(29,579)	-	(29,579)
At 31 December 2008	<u>283,328</u>	<u>62,785</u>	<u>287,807</u>	<u>633,920</u>	<u>2,598</u>	<u>636,518</u>
At 1 January 2007	566,656	131,884	(260,571)	437,969	1,262	439,231
Capital restructuring	(283,328)	(68,714)	352,042	-	-	-
Acquisition of equity interest in subsidiary	-	-	-	-	(144)	(144)
Subscription of shares in subsidiary	-	-	-	-	450	450
Transaction costs transfer to share premium account	-	(385)	385	-	-	-
Profit for the year	-	-	200,931	200,931	1,602	202,533
Dividends paid by subsidiary	-	-	-	-	(1,095)	(1,095)
Dividends	-	-	(10,341)	(10,341)	-	(10,341)
Section 108 shortfall for dividend paid by subsidiary in respect of year 2005	-	-	(2,482)	(2,482)	-	(2,482)
At 31 December 2007	<u>283,328</u>	<u>62,785</u>	<u>279,964</u>	<u>626,077</u>	<u>2,075</u>	<u>628,152</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Cash Flow Statements
For the Financial Year Ended 31 December 2008

	31.12.2008 RM'000 Unaudited	31.12.2007 RM'000 Audited
Net cash generated from operating activities	76,663	62,803
Net cash used in investing activities	(59,575)	(127,390)
Net cash (used in)/generated from financing activities	<u>(39,760)</u>	<u>46,971</u>
Net decrease in cash and cash equivalents	(22,672)	(17,616)
Cash and cash equivalents at beginning of the year	<u>84,090</u>	<u>101,706</u>
Cash and cash equivalents at end of the year*	<u>61,418</u>	<u>84,090</u>

*Cash and cash equivalents at the end of the year comprised the following:

	As at 31.12.2008 RM'000	As at 31.12.2007 RM'000
Cash on hand and at banks	16,182	19,817
Deposits with licensed banks	<u>45,236</u>	<u>64,273</u>
	<u>61,418</u>	<u>84,090</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The Interim Financial Statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007. These explanatory notes attached to the Interim Financial Statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007. The Condensed Consolidated Interim Financial Statements and notes thereon do not include all of the information required for full set of Financial Statements prepared in accordance with FRS.

The preparation of an Interim Financial Report in conformity with FRS 134 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

On 1 January 2008, the Group adopted the following revised FRS:

- FRS 107: Cash Flow Statements
- FRS 111: Construction Contracts
- FRS 118: Revenue
- FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134: Interim Financial Reporting
- FRS 137: Provisions, Contingent Liabilities and Contingent Assets

The Group has early adopted FRS 112: Income Taxes in prior financial year.

Other revised FRS, amendments to FRS and Interpretations which are effective for the current financial period are not applicable to the Group.

The adoption of the above revised FRS and amendments to FRS did not result in significant changes in accounting policies of the Group.

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation (Cont'd)

The following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

FRS and Interpretations	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application, except for the changes in disclosures arising from the adoption of FRS 7.

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2. Qualification of Auditors' Report of the Preceding Annual Financial Statements

There were no qualifications on auditors' report of the preceding Annual Financial Statements.

3. Comments About Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

Part A – Explanatory Notes Pursuant to FRS 134

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year-to-date except for provision for impairment of property, plant and equipment amounting to RM3.6 million and provision for doubtful debts amounting to RM3.1 million.

5. Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter and financial year-to-date results.

6. Changes in Debt and Equity

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter and financial year-to-date except during the year, the Group has utilized RM10 million Islamic Medium Term Notes / Commercial Paper (IMTN/CP) out of RM70 million total IMTN/CP facility issued.

Part A – Explanatory Notes Pursuant to FRS 134

7. Dividends Paid

	Amount		Net Dividend Per Ordinary Share	
	2008 RM'000	2007 RM'000	2008 Sen	2007 Sen
Final Dividend				
<u>For 2007:</u>				
6.0% less 26% taxation, on 283,327,992 ordinary shares, declared on 30 April 2008 and paid on 22 May 2008	12,579	-	4.44	-
<u>For 2006:</u>				
2.5% less 27% taxation, on 566,655,984 ordinary shares, declared on 15 May 2007 and paid on 31 May 2007	-	10,341	-	1.83
Special Dividend				
<u>For 2007:</u>				
6.0% on 283,327,992 ordinary shares, declared on 30 April 2008 and paid on 22 May 2008	17,000	-	6.00	-
	29,579	10,341	10.44	1.83

Part A – Explanatory Notes Pursuant to FRS 134

8. Segmental Information

	3 months ended 31.12.2008 RM'000	12 months ended 31.12.2008 RM'000
<u>Segment revenue</u>		
Investment holding	3,821	30,696
Port operations	61,281	207,902
Logistics and bunkering services	12,657	74,714
Contract and engineering	15,581	50,413
Property development	<u>691</u>	<u>2,742</u>
Revenue including inter-segment sales	94,031	366,467
Elimination of inter-segment sales	<u>(29,667)</u>	<u>(81,069)</u>
Total revenue	<u><u>64,364</u></u>	<u><u>285,398</u></u>
<u>Segment results</u>		
Investment holding	740	20,151
Port operations	10,419	61,842
Logistics and bunkering services	(1,057)	316
Contract and engineering	(3,352)	(1,226)
Property development	<u>(237)</u>	<u>(1,019)</u>
Profit from operations including inter-segment transactions	6,513	80,064
Elimination of inter-segment transactions	<u>2,244</u>	<u>(20,651)</u>
Total operating profit	<u><u>8,757</u></u>	<u><u>59,413</u></u>

9. Carrying Amount of Revalued Assets

There has not been any revaluation of property, plant and equipment for the Group.

Part A – Explanatory Notes Pursuant to FRS 134

10. Intangible Assets

Group	Port Concession Rights RM'000	Goodwill on Business Acquisition RM'000	Software Licenses and System Development RM'000	Total RM'000
Cost				
At 1 January 2008	110,615	4,486	2,390	117,491
Reclassification from property, plant and equipment	-	-	4,394	4,394
At 31 December 2008	110,615	4,486	6,784	121,885
Accumulated amortisation				
At 1 January 2008	12,291	-	-	12,291
Amortisation	3,687	-	57	3,744
At 31 December 2008	15,978	-	57	16,035
Net carrying amount				
At 31 December 2007	98,324	4,486	2,390	105,200
At 31 December 2008	94,637	4,486	6,727	105,850

Part A – Explanatory Notes Pursuant to FRS 134

11. Trade Receivables

	As at 31.12.2008 RM'000
Trade receivables	39,005
Less: Provision for doubtful debts	<u>(400)</u>
	<u>38,605</u>

12. Cash and Bank Balances

	As at 31.12.2008 RM'000
Cash on hand and at banks	16,182
Deposits with licensed banks	<u>45,236</u>
Total cash and bank balances	<u>61,418</u>

Included in deposits with licensed banks of the Group amounting to RM4,353,000 (2007: RM2,265,000) are held under lien to secure a bank guarantee made in favour of the Sabah Ports Authority (“SPA”) against lease rental of port land payable to SPA and the due maintenance of Sabah Ports properties and facilities.

Certain deposits with licensed banks of the Group are pledged to bank as securities for banking facilities granted to a subsidiary.

Included in cash on hand and at bank is a designated accounts amounting to RM2,281,000 (2007: RM2,237,000) which capture the proceeds from the Islamic Debt Securities for capital expenditure and working capital requirements.

13. Subsequent Events

There were no material events subsequent to the end of the reporting period that have not been reflected in the Interim Financial Statements for the financial year ended 31 December 2008.

Part A – Explanatory Notes Pursuant to FRS 134

14. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial quarter and financial year-to-date, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations except for the following :-

- (i) On 28 August 2008, the Group announced the Members' Voluntary Winding-Up of its associate, Hikmat Bumimaju Sdn Bhd. The Members' Voluntary Winding-Up has no significant impact on the current financial quarter and financial year-to-date of the Group except for the recognition of impairment loss amounting to RM16,000. The winding-up process is currently ongoing.
- (ii) On 01 October 2008, the Company acquired additional 3,000,000 ordinary shares of RM1.00 each in SCHB Engineering Services Sdn Bhd ("SCES"), for a cash consideration of RM3,000,000 and additional 1,050,000 ordinary shares of RM1.00 each in S. P. Satria Sdn Bhd ("SPSSB"), for a cash consideration of RM1,050,000. There were no changes in the proportion of equity interest held by the Group after the subscription..

15. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last Annual Balance Sheets as at 31 December 2007 except for a corporate guarantees amounting to RM8.1 million (2007: RM8.7 million) given to banks for credit facilities granted to staff by a subsidiary. The repayment of staff housing loan facilities is by way of the deductions from staff salaries and the guarantee given shall cease upon the resignation of the staff concerned.

Part A – Explanatory Notes Pursuant to FRS 134

16. Capital Commitments

The amount of capital commitments for the purchase of property, plant and equipment not provided for in the Interim Financial Statements as at 31 December 2008 is as follows :-

	As at 31.12.2008 RM'000
Approved and contracted for:	
Storage and distribution facilities for Sapangar Bay Oil Terminal and bulk fertilizer storage facilities for Lahad Datu	20,833
Acquisition of equipment	2,703
Extension of Sapangar Bay Oil Terminal	<u>171</u>
	<u>23,707</u>
Approved but not contracted for:	
Ferry terminal jetty	424
Improvements to port infrastructure facilities	315,654
Purchase of property, plant and equipment	<u>431,455</u>
	<u>747,533</u>
	<u>771,240</u>

**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

17. Review of Performance

The Group experienced a decrease in revenue for the quarter from RM87.3 million to RM64.4 million, or a decrease of RM22.9 million or 26.2%. Similarly, overall revenue for the year ended 31 December 2008 registered a lower revenue from RM310.2 million to RM285.4 million or a decrease of RM24.8 million or 8.0%.

The Group recorded a lower profit before taxation of RM4.3 million and RM41.5 million for the quarter and twelve (12) months ended 31 December 2008 respectively as compared to RM14.6 million and RM71.5 million in the previous year's corresponding quarter and financial year ended 31 December 2007, down by RM10.3 million or 70.3% and RM29.9 million or 41.9% respectively. The decline in overall performance was mainly attributable to marginally lower revenue (by 8%) and higher operating expenditures (due to depreciation), provision for impairment of assets and provision for doubtful debts as at year end.

In prior year, taxation of the Group stood at a credit balance of RM131.1 million due to the recognition of deferred tax asset and one-off tax refund amounting to RM113.8 million and RM38.5 million respectively arising from an Approved Investment Allowance Tax Incentive granted to a subsidiary by Ministry of Finance with retrospective effect, and the early adoption of FRS 112: Income Taxes.

18. Comment on Material Change in Profit Before Taxation

The Group reported a lower profit before taxation of RM4.3 million for the current financial quarter as compared to RM14.7 million for the preceding quarter. This was primarily due to lower revenue recorded (by 19%) in tandem with global economic slowdown, provision for impairment of assets as well as provision for doubtful debts in the current quarter.

19. Commentary on Prospects

Revenue from port operations and bunkering will continue to be the main contributors to the Group's earnings.

In view of the current global economic slowdown which has adversely affected the Malaysian economy, the Board expects the Group to achieve lower results for the forthcoming year.

**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

20. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

21. Taxation

	3 months ended 31.12.2008 RM'000	12 months ended 31.12.2008 RM'000
Taxation expense for the year:		
Malaysian income tax	(423)	1,323
Deferred tax	<u>2,312</u>	<u>2,306</u>
	<u>1,889</u>	<u>3,629</u>

The provision for taxation of the Group for the financial year ended 31 December 2008 reflects an effective tax rate lower than the Statutory Income Tax Rate due primarily to the Approved Investment Allowance Tax Incentive under Schedule 7B of the Income Tax Act 1967 (Approved Service Project) granted by Ministry of Finance to a subsidiary, whereby the subsidiary is entitled to claim investment allowance tax incentive at the rate of 100% on capital expenditure incurred for the period of five years from 1 September 2004 to 31 August 2009.

22. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the current financial quarter and financial year-to-date.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

23. Short-Term Investments

There were no purchases and disposals of quoted securities during the current financial quarter and financial year-to-date.

The details of the investment in quoted securities are as follows:

	As at 31.12.2008 RM'000
At cost:	
Unit trust funds quoted in Malaysia	<u>51,373</u>
At market value:	
Unit trust funds quoted in Malaysia	<u>51,515</u>

24. Borrowings and Debt Securities

Particulars of the Group's borrowings and debts securities as at 31 December 2008 are as follows:

	As at 31.12.2008 RM'000
(i) <u>Short-term</u>	
Secured:	
- Islamic debt securities / MUNIF Notes / IMTN	10,993
- Hire purchase liabilities	14,998
- Term loan	784
	<u>26,775</u>
(ii) <u>Long-term</u>	
Secured:	
- Islamic debt securities	80,000
- Hire purchase liabilities	26,670
- Term loan	3,398
	<u>110,068</u>
Total	<u>136,843</u>

**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

25. Status of Corporate Proposal Announced

There were no corporate proposals announced but not completed as at the date of submission of this report.

26. Off Balance Sheet Financial Instruments

The Group has no off balance sheet financial instruments as at the date of this report.

27. Changes in Material Litigation

There were no material litigation for the current financial quarter and financial year-to-date.

28. Dividends Payable

The Directors have agreed to recommend to the forthcoming Annual General Meeting of shareholders a first and final dividend of 3.0 sen per share less 25% taxation on 283,327,992 ordinary shares in respect of the financial year ended 31 December 2008 amounting to RM6,374,880 (31 December 2007: 10.44 sen net per share). The Book Closure and Payment Dates in respect of the aforesaid dividend will be determined at a later date.

**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

29. Earnings Per Share

a) Basic Earnings Per Share

Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	3 months ended 31.12.2008	12 months ended 31.12.2008
Profit for the financial year (RM'000)	2,442	37,895
Less: Attributable to minority interests (RM'000)	<u>241</u>	<u>(473)</u>
Profit attributable to equity holders of the Company (RM'000)	<u>2,683</u>	<u>37,422</u>
Number of ordinary shares in issue ('000)	<u>283,328</u>	<u>283,328</u>
Basic earnings per share (sen)	<u>0.95</u>	<u>13.21</u>

b) Fully Diluted Earnings Per Share

Diluted earnings per share are not disclosed as there was no dilution for the financial year ended 31 December 2008.

30. Authorised for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2009.

By order of the Board
For **SURIA CAPITAL HOLDINGS BERHAD**

DATUK HAJI ABU BAKAR BIN HAJI ABAS
Group Managing Director

Kota Kinabalu
23 February 2009